

DIRECT TESTIMONY AND EXHIBIT OF

O'NEIL O. MORGAN

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2021-1-E

IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS

OF DUKE ENERGY PROGRESS, LLC

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is O'Neil O. Morgan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Engineer in the Utility Rates and Services Division of the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Engineering degree in Mechanical Engineering from the University of Technology, Jamaica in 2006 and a Master of Science degree in Engineering Management from Florida International University in 2008. I have worked in the energy industry for over sixteen (16) years and prior to my employment at ORS, served in a variety of positions developing and implementing demand side management and energy efficiency programs for multiple investor-owned utilities in the United States. I joined ORS in November 2019 and assumed my current position.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?

1 A. Yes. I have testified before the Commission in the hearing for Dominion Energy
2 South Carolina, Inc's. Annual Review of Base Rates for Fuel Costs proceeding in Docket
3 No. 2021-2-E.

4 **Q. WHAT IS THE MISSION OF ORS?**

5 A. ORS represents the public interest as defined by the South Carolina General
6 Assembly as:

7 [T]he concerns of the using and consuming public with respect to public
8 utility services, regardless of the class of customer, and preservation of
9 continued investment in and maintenance of utility facilities so as to provide
10 reliable and high-quality utility services.

11 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
12 **PROCEEDING, AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT**
13 **THE PUBLIC INTEREST?**

14 A. The purpose of my direct testimony is to set forth ORS's recommendations resulting
15 from the examination of Duke Energy Progress, LLC's ("DEP" or "Company") Distributed
16 Energy Resource Program ("DERP") expenses for the period of March 2020 through
17 February 2021 ("Actual Period"), March 2021 through June 2021 ("Estimated Period"), and
18 July 2021 through June 2022 ("Forecasted Period"). By reviewing the Company's DERP
19 portfolio and associated costs to ensure the Company's compliance with applicable statutes
20 and Commission Orders, my direct testimony promotes the public interest.

21 **Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

22 A. Yes. The review to which I testify was performed by me or under my supervision.

23 **Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN**
24 **THIS PROCEEDING?**

1 **A.** Pursuant to S.C. Code Ann. § 58-39-130(A)(2), an electrical utility with an approved
2 DERP may recover associated costs that are reasonably and prudently incurred, and
3 pursuant to S.C. Code Ann. § 58-39-140(F), cost recovery shall remain in force until all
4 approved DERP components have been recovered. The Company's DERP was approved in
5 Commission Order No. 2015-514, and the Company included in this filing actual, estimated,
6 and forecasted avoided and incremental costs for the period of March 1, 2020 through June
7 30, 2022.

8 **Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE**
9 **RECOVERED IN THIS PROCEEDING.**

10 **A.** According to S.C. Code Ann. § 58-39-140, payments for electricity provided under
11 the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public Utility
12 Regulatory Policy Act of 1978 ("PURPA"), whichever is lower, are eligible to be recovered
13 through the DERP avoided cost component.

14 The Company incurred DERP avoided costs during the Actual Period for utility-
15 scale purchased power, excess Net Energy Metering ("NEM") payments to customer-
16 generators, and the Shared Solar Program. These costs were allocated using the same
17 method the Company uses to allocate and recover variable environmental costs. Actual and
18 estimated DERP avoided cost totals are shown in ORS witness Briseno's Audit Exhibit
19 ADB-9 and the calculated rates are shown in ORS witness Seaman-Huynh's Exhibit MSH-
20 4.

21 **Q. WHAT TYPES OF EXPENSES HAS THE COMPANY INCLUDED AS DERP**
22 **INCREMENTAL COSTS?**

1 **A.** The Company included General and Administrative costs incurred to implement the
2 Company's DERP, costs related to the Shared Solar Program, costs in excess of avoided
3 costs, NEM incentives and avoided capacity, amortization of solar rebates and related
4 carrying costs, NEM meter costs, and interest on under-collection of DERP incremental
5 costs due to the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. Actual and
6 estimated cost totals are shown in ORS witness Briseno's Audit Exhibit ADB-8. Exhibit
7 OOM-1 reflects the under-recovered and total estimated and forecasted incremental costs.

8 **Q. DID ORS FIND THE COMPANY'S DERP AVOIDED AND INCREMENTAL**
9 **COSTS TO BE REASONABLY INCURRED?**

10 **A.** Yes. ORS found the Company's DERP avoided and incremental costs to be
11 reasonably and prudently incurred in implementing the Company's DERP. ORS also
12 reviewed the Company's estimated and forecasted DERP avoided and incremental costs and
13 found them to be reasonable.

14 **Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.**

15 **A.** The fixed charge by which the Company proposes to recover DERP incremental
16 costs ("DERP Charge") is determined by allocating and collecting DERP incremental
17 expenses in the same way the Company allocates and collects variable environmental
18 expenses. The revenue is collected as a fixed charge per account to ensure that no account
19 charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. ORS
20 finds the Company's methodology to calculate, allocate, and collect the DERP Charge
21 complies with Act 236 and with prior Commission orders.

22 **Q. WILL THE PROPOSED ANNUAL DERP CHARGE RECOVER ALL THE**
23 **INCREMENTAL COSTS?**

1 A. No. The DERP Charge will not recover all the incremental costs allocated to the
2 Residential and Industrial customer classes. A full recovery of DERP incremental costs
3 would require an annual DERP charge of \$13.54 for Residential customers and \$3,222.23
4 for Industrial customers. However, the annual recovery caps prescribed in S.C. Code Ann.
5 § 58-39-150 limit the amount Residential and Industrial customers can be charged each year
6 to \$12.00 and \$1,200.00, respectively. DEP's annual DERP charge will recover all
7 incremental costs from Commercial customers as the cost is under the \$120 annual recovery
8 cap for that class.

9 **Q. HOW WILL UNDER-COLLECTED INCREMENTAL COSTS BE TREATED?**

10 A. Under-collected incremental costs will earn carrying costs until next year when they
11 will be reallocated using each class's contribution to peak demand.

12 **Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE DERP**
13 **CHARGES PROPOSED BY THE COMPANY?**

14 A. No. ORS finds that the Company's calculations comply with Act 236 and with the
15 Commission's orders in previous DERP-related proceedings and supports the following
16 annual proposed DERP Charges: Residential \$12.00, Commercial \$42.16, and Industrial
17 \$1,200.00. Exhibit OOM-1 details the DERP Charge by class.

18 **Q. DID THE COMPANY UPDATE THE VALUE OF NEM DISTRIBUTED ENERGY**
19 **RESOURCES?**

20 A. Yes. As shown in Company witness Martin's direct testimony (page 8), DEP
21 proposes a total value of NEM DER of \$0.024461/kilowatt-hour ("kWh") for residential
22 solar generation, \$0.024442/kWh for small general service generation, and \$0.024475/kWh
23 for large solar generation. The Company calculated a separate value for residential solar

generation based on the availability of actual customer data. The Company continues to utilize third-party solar load profile data for non-residential customers.

Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE CONSISTENT WITH ORDER NO. 2015-194 IN DOCKET NO. 2014-246-E?

A. Yes. The Company used the methodology approved in Commission Order No. 2015-194 to calculate the NEM incentive. The Company determined the difference between the expected revenues from NEM customers with and without DERP. Once the revenue gap was identified, the value of the customers' distributed generation was calculated using the amount from the NEM tariff approved in Commission Order No. 2020-439 in Docket No. 2020-1-E. The outstanding revenue was divided by the number of kWhs the customers of each applicable rate schedule generated to calculate the NEM incentive.

Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE PROPOSED UPDATES TO SC RIDER RNM-9?

A. No. ORS recommends the Commission accept the Company's proposed updates to SC Rider RNM-9 (Martin Exhibit 1).

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Office of Regulatory Staff
Calculation of DERP Charge
Duke Energy Progress, LLC
Docket No. 2021-1-E

EXHIBIT OOM-1

(Over)/Under-Recovery of DERP Incremental Costs			
March 2020 through June 2021			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$135,409	\$83,665	\$55,457
(Over)/Under-Recovery of DERP Incremental Costs			
July 2021 through June 2022			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$1,847,447	\$1,333,311	\$859,657
Total DERP Charge			
March 2020 through June 2022			
	Residential¹	Commercial	Industrial¹
Cumulative Under-Recovery through June 2022	\$1,982,856	\$1,416,976	\$915,114
Number of accounts	146,424	33,609	284
Annual Cost (\$) ²	\$12.00	\$42.16	\$1,200.00
Monthly DERP Charge (\$) ²	\$1.00	\$3.51	\$100.00

¹ Monthly Charge and Annual Charge are capped in compliance with Act 236. The under-collection will be reallocated in the 2022 fuel proceeding.

² ORS' review does not include Gross Receipts Tax.